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INFORMATIONAL SUBMITTAL

DATE: August 13, 2015

TO: Catherine Payne, Chairperson Performance and Accountability Committee

FROM: Tom Hutton, Executive Director

AGENDA ITEM: Presentation of Ka Waihona o ka Na'auao Public Charter School's June 2015 Monthly Report for Commission's Financial Monitoring

I. DESCRIPTION

Review of the financial reports of Ka Waihona o ka Na'auao Public Charter School ("Ka Waihona") for the month ended June 30, 2015.

II. BACKGROUND

At the April 9, 2015 General Business meeting, an overview of the schools' financial performance as of the second quarter was presented to the Commission. As a result of its low days cash on hand measure, the Commission voted to require Ka Waihona to submit information monthly, starting with March, 2015, regarding the status of the school's finances, grants, fundraising and reserve until such time the Commission deems such additional financial monitoring no longer necessary.

III. PRESENTATION

Commission staff has reviewed the June 30, 2015 financial reports submitted by the school. The financial statements will be made available to the Commissioners for their further review, if desired. Highlights of the information include:

1. Days Cash on Hand: 5.63 days as of June 30, 2015

The primary concern raised by staff continues to be this indicator. At the end of March, the school had approximately 24 days cash on hand. At the end of June, the school had

approximately 6 days cash on hand. The school had \$435,657 in Accounts Receivable at the end of June and was provided all per pupil allocations for this school year.

Although the school ended the year with net income of \$316,908, the school recorded \$318,754 in depreciation expense for the year. On a cash flow basis, the school ended the year with a deficit of approximately (\$84,500).

A school's cash balance may be adjusted to include amounts received within two weeks after the month ended if these amounts were included in the school's Accounts Receivable month end balance. As of this writing, it is not known if funds the school expected to receive from OHA (\$157,000) and Ho'olako Like (\$394,214) were received shortly after June 30.

2. Cash balance as of June 30, 2015: \$185,803

The school's cash balance as of June 30 was essentially the same as May 31 (\$183,194).

The school had a line of credit with a bank for a total of \$300,000. The school had drawn down \$200,000 from this line during the fiscal year. Staff has been informed by the school that the line of credit was paid off on July 28 and the line of credit closed on August 5, 2015.

The payoff of the line with FY 2015-16 per pupil funds was a cause for concern since the FY 2015-16 budget submitted by the school was a "break even" one. Staff has been informed by the school the per-pupil revenue used to prepare the budget was \$6,200. Subsequently, schools were informed the estimated per-pupil amount is \$6,520 for this fiscal year. The anticipated additional revenue per-pupil of \$204,800, based on enrollment of 640 students, will make up for the funds used to pay down the school's line of credit. A request has been made to the school to provide a revised budget and monthly cash flow forecast for FY 2015-16 to ensure the school's operations are sustainable.

IV. RECOMMENDATION

None; for informational purposes only.